



**Manchester
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Ntounis, Nikos ORCID logoORCID: <https://orcid.org/0000-0003-2517-3031>,
Parker, Cathy ORCID logoORCID: <https://orcid.org/0000-0002-8072-269X>,
Sonderland Saga, Regine ORCID logoORCID: <https://orcid.org/0000-0002-0909-6593> and Warnaby, Gary ORCID logoORCID: <https://orcid.org/0000-0002-6696-6671> (2021) High Street Business Resilience Survey (May 2020).
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HIGH STREET BUSINESS RESILIENCE SURVEY

Dr Nikos Ntounis
Professor Cathy Parker
Dr Regine Sonderland Saga
Professor Gary Warnaby

Institute of Place Management, Manchester Metropolitan University

May, 2020

EXECUTIVE SUMMARY

The global COVID-19 pandemic not only has devastating implications on people's health and wellbeing, but also on businesses and the economy. The purpose of this study was to investigate perceptions of high street business owners and managers regarding the resilience of their businesses in the current situation arising from the Covid-19 pandemic. The research design involved an online survey of high street businesses located within a range of town centres in England. Data were obtained from 1,016 respondents between 17-27 April 2020, and were analysed both quantitatively, via the use of SPSS, and qualitatively, by identifying main themes from free-text comments by 488 respondents.

The vast majority of businesses surveyed were independent, small businesses that represent the retail, food and beverage, and personal and other services sectors – typical 'high street' businesses. The main findings from our descriptive analysis are as follows:

- Regarding their current business situation, 55% of business premises were closed and not currently operating;
- 67.4% of businesses had seen an 81-100% decrease in turnover compared to last year; Almost all of respondents (96%) had applied for one or more of the range of Government business assistance schemes. The most popular of these were support for employees' wages through the Coronavirus Job Retention Scheme (i.e. 'Furlough'), deferment of VAT payments, business rates relief and the small business grants;
- The financial assistance was most frequently used for paying suppliers, staff wages, utilities and rent;
- With regard to business premises, 77% of respondents were tenants, and sixty-one per cent had paid their last monthly rental payment in full, although this figure dropped to 52% for the next month's rental payment;
- Forty-two percent had negotiated some alternative arrangement with their landlord. Of those respondents that were owner-occupiers with commercial mortgages all had been able to secure some form of flexibility such as a 'holiday' on the interest and/or capital.

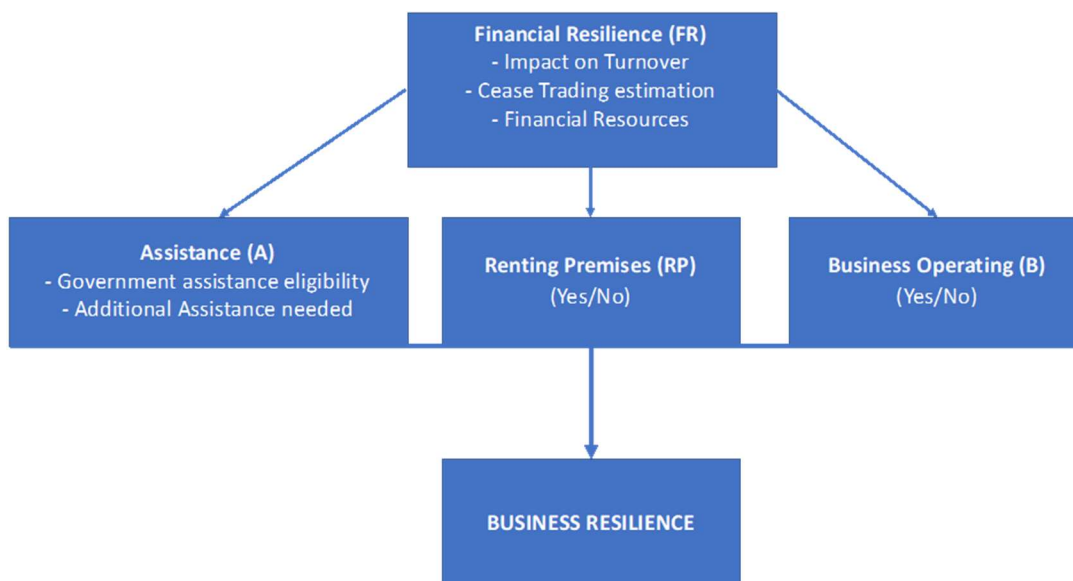
Furthermore, we conducted comparative statistical analysis based on business location, broad business sectors, size of business, and annual turnover, in order to assess differences between categories, where appropriate. The main findings from our comparative analysis are as follows:

- Trading 'offsite' is not a viable option for many high street businesses. Some activities can be performed in some sort of capacity away from the actual premises (professional services and private trade mostly) but some cannot (e.g. personal services);
- Most vulnerable businesses include personal services, food & beverage, and the majority of retail stores;
- In terms of size of business, comparative analysis revealed that smaller businesses (i.e. 1-9 FTE employees) were the most vulnerable in terms of lost turnover and survival prospect;
- The majority of business with annual turnover less than £1m are in considerable trouble;
- Businesses in the South may have a bit more financial leeway to alleviate the crisis, but overall there seems to be no significant difference between the South of England and the rest of the country.

Our qualitative thematic analysis further confirmed the problems that most businesses are facing due to the COVID-19 pandemic. Specifically, the main themes that were raised from businesses revolved around:

- Issues around grant eligibility and time frames for payouts;
- Lack of information regarding duration of lockdown and plan to recover post-lockdown;
- Challenges around cost and practice of social distancing post-lockdown;
- Context and sector specific issues based on locational characteristics (e.g. coastal/tourist destinations);
- Problematic relationships with landlords;
- High levels of anxiety, stress and fear around finances and business closures.

Finally, a business resilience composite score was calculated that shows the likelihood of a business to navigate the COVID-19 crisis. This was based on: (1) its current assets and fiscal resources when taking into account the impact on turnover compared to last year; (2) the current business status; (3) the level of assistance received from the government or other sources; (4) whether the business premises are rented or not; and (5) the estimated period that the business will be forced to cease trading if the situation remains unchanged, as shown below:



Based on this, businesses in the food and beverage, personal and other services, human health and social work, and retail sectors are identified as most vulnerable. This confirms the findings from the comparative and qualitative analysis, as the majority of these businesses were, at the time of the survey, forced to remain closed, and therefore are unable to generate any turnover. In some cases, businesses in these sectors are also ineligible for government funding, which exacerbates their financial situation. The majority of these businesses are also small businesses with 1-9 employees, which seem to be affected the most from this crisis. Overall, our findings suggest that the government and the local authorities must prioritise support for small businesses in the retail, entertainment and personal services sectors.

1.0 Context & Terms of Reference

Consequent to the Covid-19 pandemic, English high streets currently face unprecedented challenges, not least the need for social distancing measures and the closure of non-essential retailing activities.

It is against this backdrop that researchers in the Institute of Place Management (IPM), based at Manchester Metropolitan University were commissioned by the Professional Research and Data Group of the High Streets Task Force to conduct research into perceptions of high street business owners and managers regarding the resilience of their businesses in the current situation.

Specifically, the research sought to investigate:

1. Owner/managers' perceptions of the current situation on their business – e.g. whether the business was still operating, the effect of the Covid-19 situation on trade compared to last year etc.;
2. Take-up - and perceptions of - the current Covid-19 related business assistance measures introduced by the UK Government – e.g. issues such as difficulties in accessing such schemes, and what the money provided by these schemes was being spent on, etc.;
3. The extent of use of off-site trading measures by businesses;
4. Owner/managers' perceptions of the current position relating to business rents, where applicable - e.g. whether they are currently paying business rates, whether they have made any alternative arrangements with landlords, and whether they are under threat of debt enforcement measures by landlords;
5. Perceptions of owner-occupiers of premises relating to issues around repayment of commercial mortgages, where applicable.

2.0 Research Design

The research design involved an online survey of businesses located within a range of town centres and other commercial centres in England. These locations comprised the jurisdictional areas of Business Improvement Districts (BIDs) that are members of The BID Foundation, British BIDs and/or the Association of Town and City Management. This should provide a representative cross section of different urban centres across England.

The survey instrument was a questionnaire (designed using the Qualtrics survey platform), which was distributed to approximately 300 BIDs through the membership/contact lists of the organisations named above. It contained questions relating to issues outlined in the

above Terms of Reference, as well as respondent classification data relating to: Type of business structure; Main product/service sector; Business Ownership type: Number of staff employed in full-time equivalent (FTE) units; Approximate annual turnover (2018/2019) and location (first 3-4 digits of postcode).

The survey also included a facility for respondents to add free-text comments relating to any aspect arising from the current Covid-19 pandemic situation that they wanted to highlight as particularly pertinent and/or important to them.

The survey was open from Friday 17 April to Monday 27 April. Data were obtained from 1016 respondents and analysed using the SPSS statistical package. The free-text comments provided by 488 respondents were subject to thematic analysis.

The research design was reviewed by the Manchester Metropolitan University Business and Law Research Ethics and Governance Committee (EthOS Reference Number: 23621), and approved on 17 April 2020.

3.0 Findings

3.1 Respondent data

Respondent classification data relating to the factors used in the survey is reported below.

Type of Business

Sixty five percent of respondents were owner/managers of a Limited Company (n=665), with a further 17.5% of respondents being Sole Traders (n=178). Partnerships and Limited Liability Partnerships accounted for 6.8% (n=69) and 2.9% (n=29) respectively. Other types of businesses (e.g. Charitable organisations, Community Interest Companies, Not-for-profit organisations) accounted for 7.4% of respondents (n=75).

Main Product/Service sector

Respondents covered a wide variety of product/service sectors. The largest categories were:

1. Retail sale of non-food (communication & household equipment, cultural & recreation, clothing & footwear, except Chemists) - 23.3% of respondents (n=237),
2. Food & Beverage (restaurants, pubs) - 17.1% (n=174),
3. Other Service Activities (repair of computers & household goods, personal service activities such as dry-cleaning, hairdressing, physical well-being, etc.) – 9.5% (n=97),
4. Arts, Entertainment & Recreation (Performing arts, libraries, museums, sports facilities, etc.) - 8.0% (n=81),
5. Business Administration and Support Services - 6.6% (n=67),
6. Accommodation/Hospitality (Hotels, Hostels, Other Accommodation) - 5.8% (n=59),
7. Professional, Scientific, Legal and Technical - 5.6% (n=57),
8. Retail sale of food (including groceries, specialty food) - 4.5% (n=46).

Table 1 shows the coverage of the businesses that participated in the survey in terms of broader product/service categories.

Product/service category	Frequency	Percent
Manufacturing/Construction	22	2.2
Retail (all)	314	30.9
Hospitality/F&B/Leisure & Entertainment	314	30.9
Professional Services	204	20.1
Education & Health	37	3.6
Personal and Other Services	125	12.3
Total	1016	100

Table 1: Respondent broader product/service sector

Business Ownership

Independent businesses (1-9 outlets) constituted 80.1% (n=814) of respondents. The breakdown of other business ownership categories is given in table 2.

Business ownership category	Frequency	Percent
Independent business (1-9 outlets)	814	80.1
Multiple (more than 10 outlets)	44	4.3
Franchise	52	5.1
Co-operative	3	0.3
Non-business entity (public sector, charity, non-profit organisation, etc.)	77	7.6
Other (please state)	26	2.6
Total	1016	100

Table 2: Respondent business ownership

Number of staff employed in full-time equivalent (FTE) units

Reflecting the fact that most respondents were responsible for independent businesses, the most common category in relation to number of FTE staff employed was 1-9 (58.8% - n=597), as shown in figure 1.

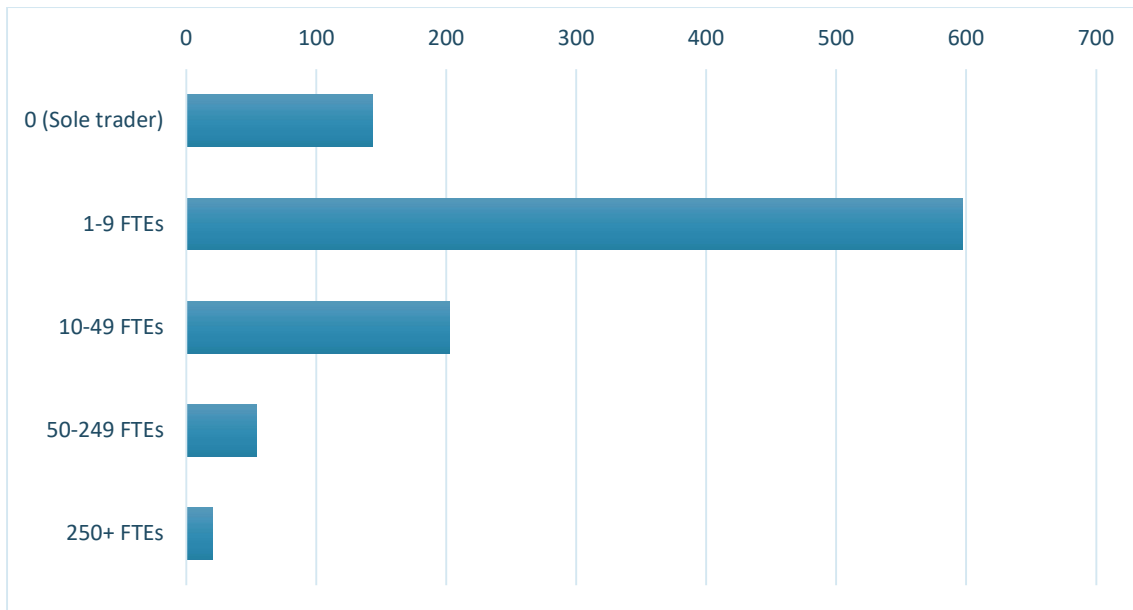


Figure 1: Number of FTE staff employed by respondents

Approximate annual turnover

Similarly, the most common category for approximate annual turnover of businesses for 2018-19 was below £100,000 (26.6% of respondents - n=270), followed by £100,001-£250,000 (21.8% - n=221), as shown in figure 2.

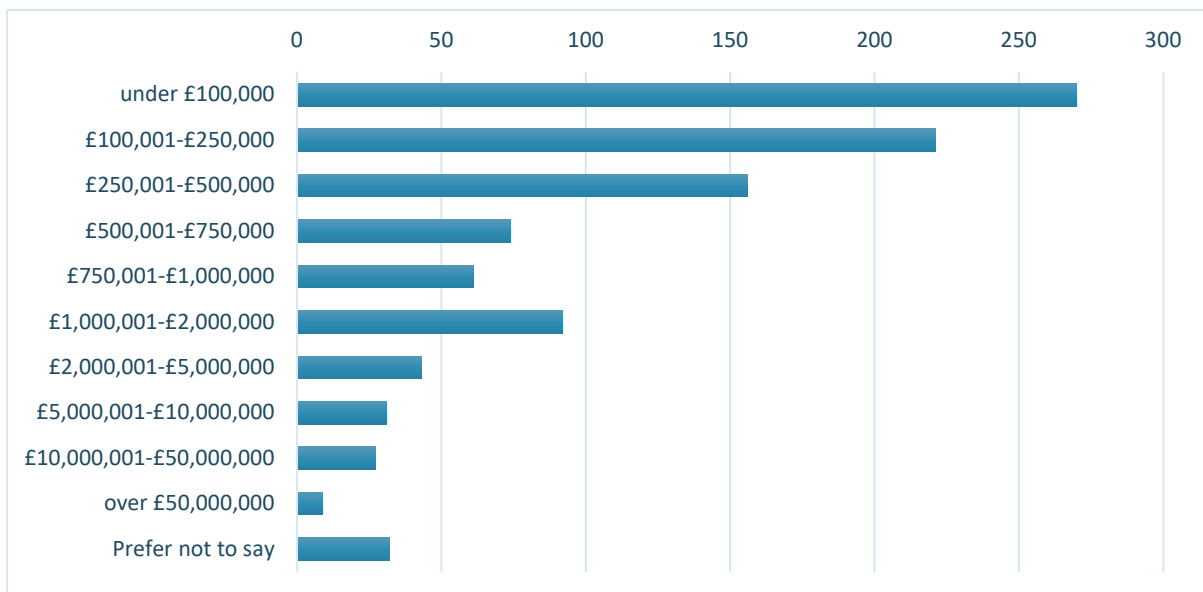


Figure 2: Respondents' approximate annual turnover (2018-19)

Issues Highlighted by Businesses

Table 3 illustrates the broader issues highlighted by businesses (n=475) using the free text comment facility in the final question of the survey. The largest product/service category represented was the Food and Beverage, accounting for 20% of the comments.

Themes and sub-themes	All Comments (n =475)	
	#	(%)
Business Assistance and Grants	255	(54%)
Eligibility	66	(14%)
Recommendations	48	(10%)
Banks and Loans (e.g. CIBIL)	47	(10%)
Timeframe for Payouts	39	(8%)
Directors and Sole Traders	27	(6%)
Information on Recovery Plan to End Lockdown	136	(29%)
Timing of Ending Lockdown	46	(10%)
Continuous Financial Support	43	(9%)
Cease of Trade and Operations	25	(5%)
Exit Strategy	22	(5%)
Less Viable	20	(4%)
Business Impact of Social Distancing	122	(26%)
Opening Post-Lockdown	60	(13%)
Currently Open	35	(7%)
Closed Due to Lockdown	22	(5%)
Context Specific Issues	90	(19%)
Sector or Type of Business	70	(15%)
Location	24	(5%)
Relationship with Landlords	51	(11%)
Personal Anxiety	45	(9%)

Table 3: Issues Highlighted by Businesses

Over half of the issues reported related to concerns around business assistance and grants (54%). Many businesses felt excluded from grants (especially due to the £51,000 eligibility cap) or that the grants take too long to receive.

The next most important issue, with 29% of comments, called for more information on recovery to end lockdown and highlighted the need for continuous financial support as respondents' businesses would either cease trade or be significantly less viable without this. The business impact of social distancing accounted for 26% of the issues raised, with comments identifying challenges around the cost of practice and the practicalities around this, both for currently open businesses and those re-opening post-lockdown.

Several context specific issues emerged, both in terms of business types and location (19%), with businesses reporting on challenges from their experiences. Some respondents also described problematic relationships with their landlords regarding rent (11%), and 9% of comments referred to personal anxieties and stress exacerbated by the pandemic.

3.2. Current business situation

Just over 55% of respondents (n=564) reported that their premises were closed and the business was not currently operating. Of the other respondents, 31.8% (n=323) reported that their premises were closed, but the business was still operating (e.g. from other premises, from home via the internet/phone orders, as a takeaway etc.). Only 5.3% of respondents (n=54) reported that their premises were open, and the business was operating. Only four respondents had already ceased trading permanently. Seven percent of respondents (n=71) reported that none of the above descriptions were applicable to their situation, primarily because their business usually operated from their home, or they worked peripatetically, or outdoors (e.g. tour guide businesses).

The consequent impact on turnover was evident, with 67.4% of respondents (n=685) reporting that turnover had declined by 81-100%, although a very small number of respondents reported a significant uplift in turnover, as shown in table 4.

Impact on takings in comparison with the same period last year	Frequency	Percent
81% - 100% decrease	685	67.4
51% - 80% decrease	113	11.1
26% - 50% decrease	97	9.5
1% - 25% decrease	65	6.4
Same as last year	22	2.2
1% - 25% increase	12	1.2
26% - 50% increase	1	0.1
51% - 80% increase	5	0.5
81% - 100% increase	8	0.8
more than 100% increase	8	0.8
Total	1016	100

Table 4: Respondents' change in trade compared to last year

16.5% (n=169) of respondents anticipated that they (or someone else) would take the decision to permanently cease trading from the premises if the current lockdown lasted less than two months, as shown in table 5.

Length of lockdown before it is anticipated the business would have to close	Frequency	Percent
0-2 weeks	9	0.9
3-4 weeks	36	3.5
1-2 months	124	12.2
3-4 months	248	24.4
4-6 months	190	18.7
more than 6 months	200	19.7
I don't know/not my decision	205	20.2
Total	1012	99.6
Missing/Not answered	4	0.4

Table 5: Length of lockdown before anticipated closure of business

In the qualitative free text comments, some business owners expressed high levels of stress and anxiety caused by the pandemic, specifically related to worries around survival of their businesses. Typical responses articulated feeling fearful about losing their businesses, and that they had developed or had their mental health issues exacerbated by these worries. This was illustrated by two respondents:

"Mental health issues because of the stress and worry of my business surviving"

(Industry: Human Health and Social Work), and

"Situation has exacerbated and caused additional mental health problems for both partners" (Industry: Manufacturing).

Some respondents also explained feeling stressed about how to keep staff in employment, and how they could pay employees. One comment in particular demonstrated the extent business owners go to in order to ensure the wellbeing of their staff:

"I have used all of my own personal money/credit cards paying staff furlough wages as we can only claim 3 weeks after the event and I have no money left to pay them, so I now don't know how I will pay my own mortgage and bills" (Industry: Accommodation/Hospitality).

This has left many business owners anxious and stressed about what the future holds.

3.3. Government assistance schemes

Only 4% of respondents (n=41) did not intend to, or had not already, applied for one of the Government's business assistance schemes. The most popular scheme was support for employees' wages through the Coronavirus Job Retention Scheme (i.e. 'Furlough'), which 713 respondents had applied for, as shown in figure 3.

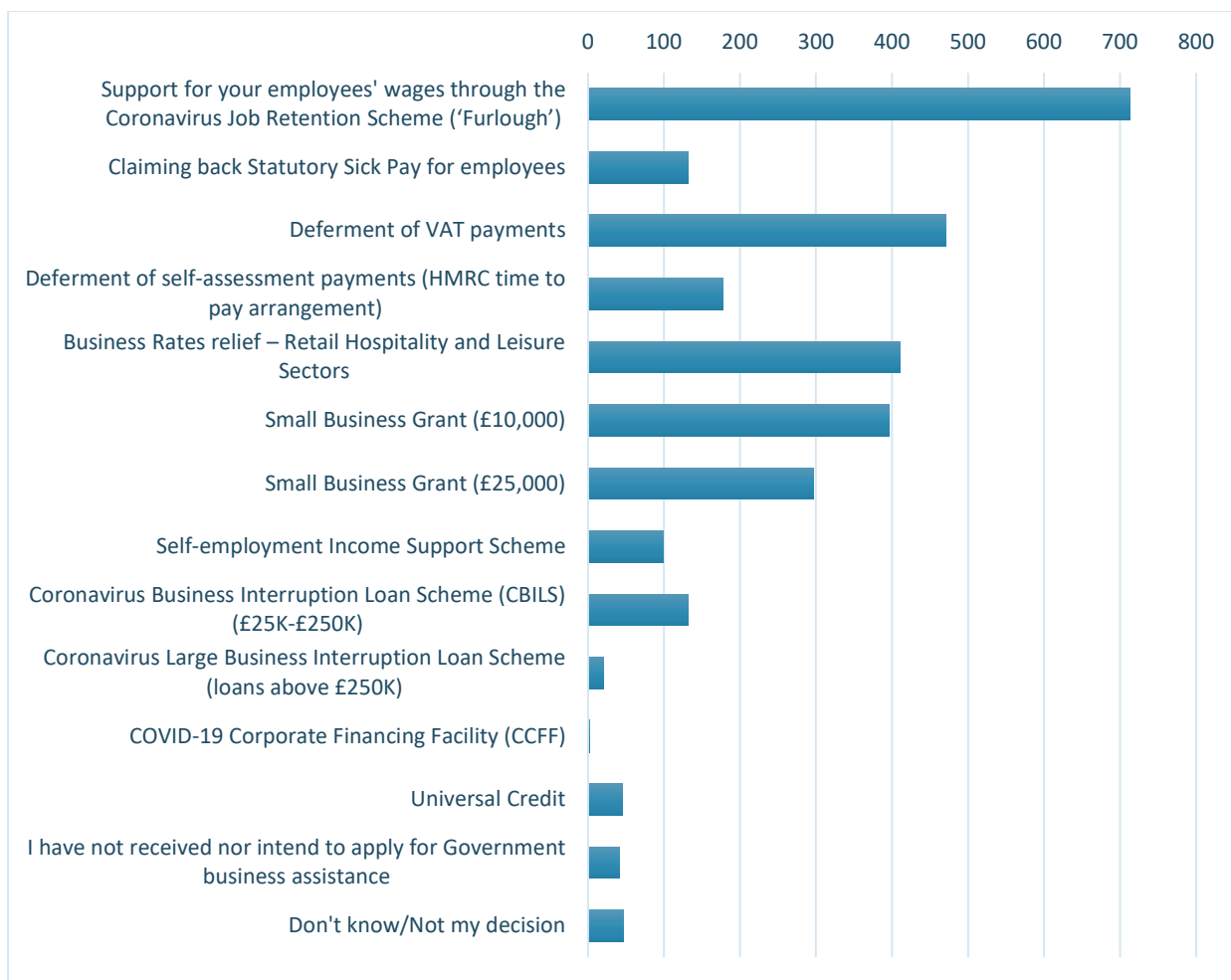


Figure 3: Respondents' take-up of Government business assistance schemes

Depending on the business assistance scheme chosen, many respondents had already received financial help. For example, 75.4% (n=227) of those respondents seeking assistance from the Small Business Grant (£10,000), and 79.9% (n=191) of those seeking Small Business Grants (£25,000), had already received funding. The anticipated timescale for receipt of assistance for other schemes was longer. For example, 56.3% (n=18) of respondents seeking assistance from the Coronavirus Business Interruption Loan Scheme (CBILS) (£25K-£250K) expected to wait 3-4 weeks, with a similar proportion (57.1% – n=4) reported for the Coronavirus Large Business Interruption Loan Scheme (loans above £250K), although the respondent figures here are very small.

When asked what this assistance would be spent on, paying suppliers, staff wages, utilities and rent were the most frequent responses, as shown in figure 4.

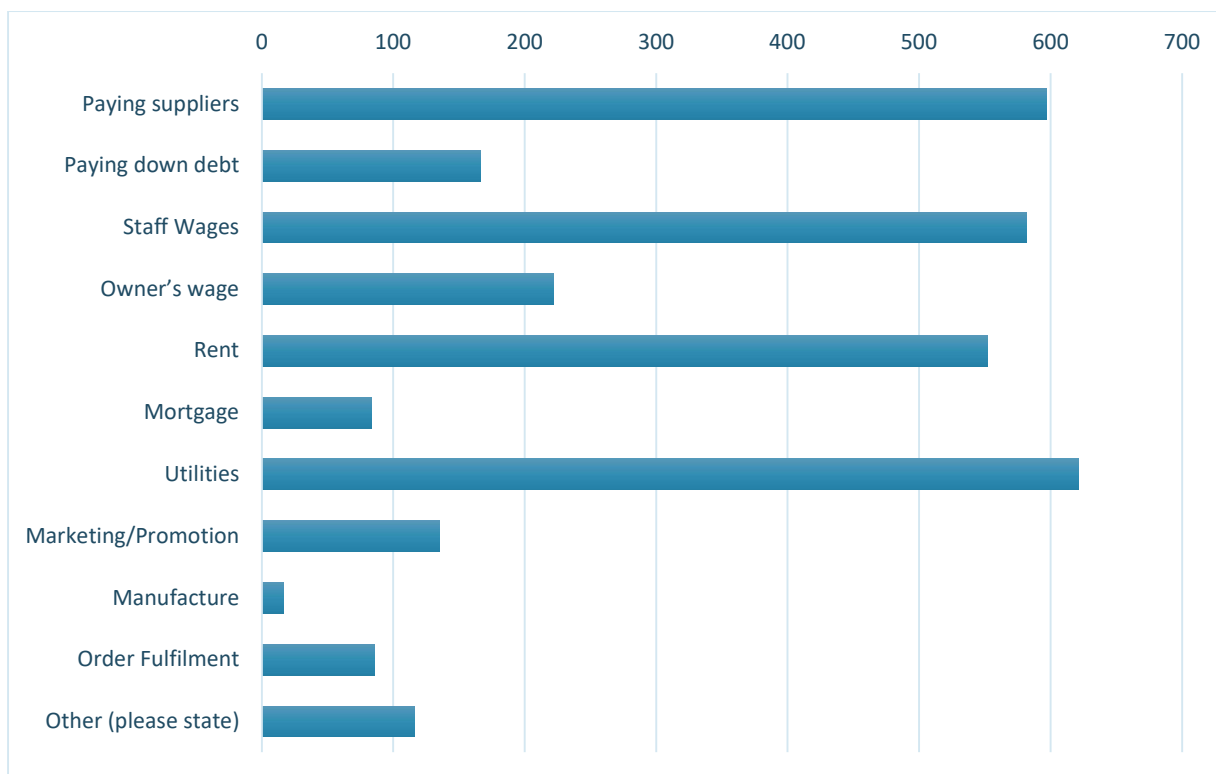


Figure 4: Assistance expenditure by respondents

Although noting that they were grateful for the grants available, in the qualitative free text comments respondents complained about how long it took for these grants to be paid out:

"Small business grant and furlough payments are taking too long to come through"
(Industry: Other Service Activities).

They also expressed concerns around being forced to close despite receiving grants, stating that they would not last, thus calling for continuous financial support in order to sustain business:

"Our business will permanently close making 80 people redundant unless we receive more support from the government" (Industry: Food & Beverage).

Only a small number of businesses (n=41) had not applied for business assistance schemes, and the reasons for this are given in table 6.

Reason for non-application for assistance	Frequency	Valid Percent
Too complicated	3	7.3
Not eligible	15	36.6
Don't need the support yet	12	29.3
Other reason (please state)	11	26.8
Total	41	100

Table 6: Reason for non-application for business assistance schemes

Eligibility for assistance was a prominent issue in the qualitative comments. Several businesses reported that their rateable value was above £51,000 and therefore not eligible for the business grants and they perceived as unfair:

“Businesses with rateable value over £51K should be given a grant just like the businesses under £51K vale have been awarded. To leave us out is discriminatory”
(Industry: Food & Beverage).

One respondent from the retail sale of food industry emphasised this issue by referring to the Raise the Bar Campaign¹ as their “only hope”.

Therefore, some businesses were seeking other forms of business assistance, as shown in figure 5.

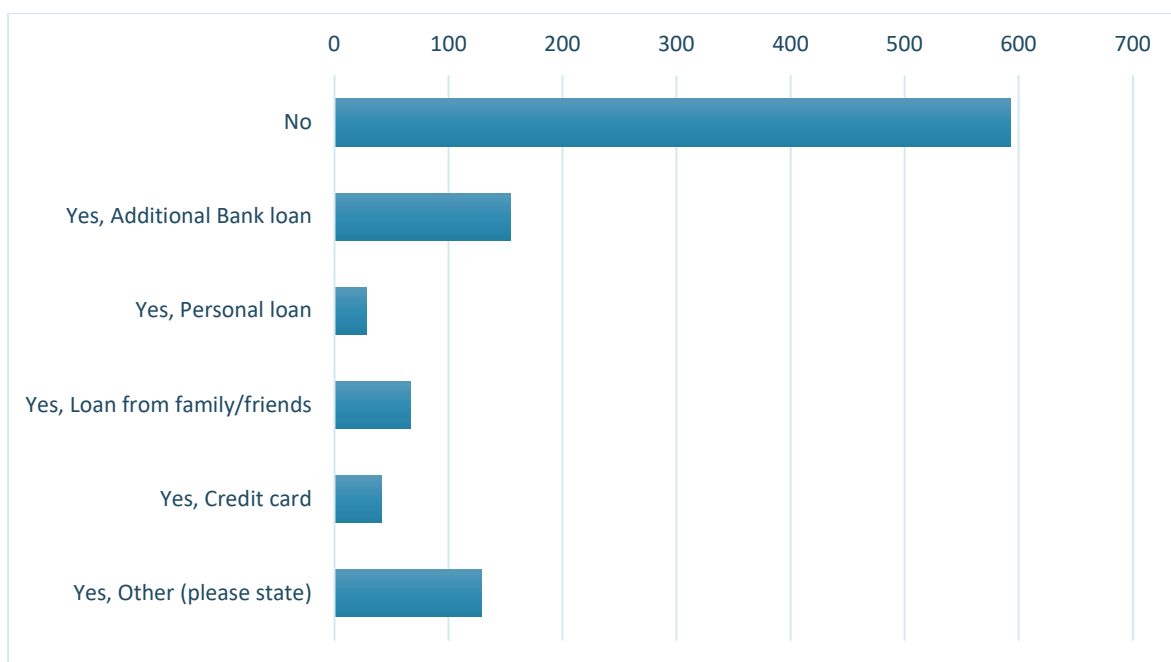


Figure 5: Consideration of other types of business assistance

However, respondents noted that acquiring loans had been challenging and that banks were not always cooperative:

“[...] the CIBIL application was denied, despite being Government backed. We now need to look at alternative funding, or the business will need to be shut down, with many debts owed” (Industry: Manufacturing).

“I applied for CIBIL and have been refused, claiming that the business could not afford it, despite the fact that the business profit is 3x the value of the loan. The banks don't want to help” (Industry: Other Service Activities).

¹ The ‘Raise the Bar’ Campaign calls for an increase of the threshold from £51,000 to £150,000 to save tens of thousands of businesses from going under by allowing more businesses the opportunity to access the £25,000 grant (raisethebarcampaign.com, 2020).

Without assistance, businesses ranged in their estimates of how long their existing financial resources would cover ongoing costs, as seen in figure 6. At one extreme, 18.9% (n=173) of businesses estimated that their existing resources would cover operating costs for less than a month, and at the other, only 12.3% (n= 112) of respondents believed they could cover their operating costs for more than six months without some assistance.

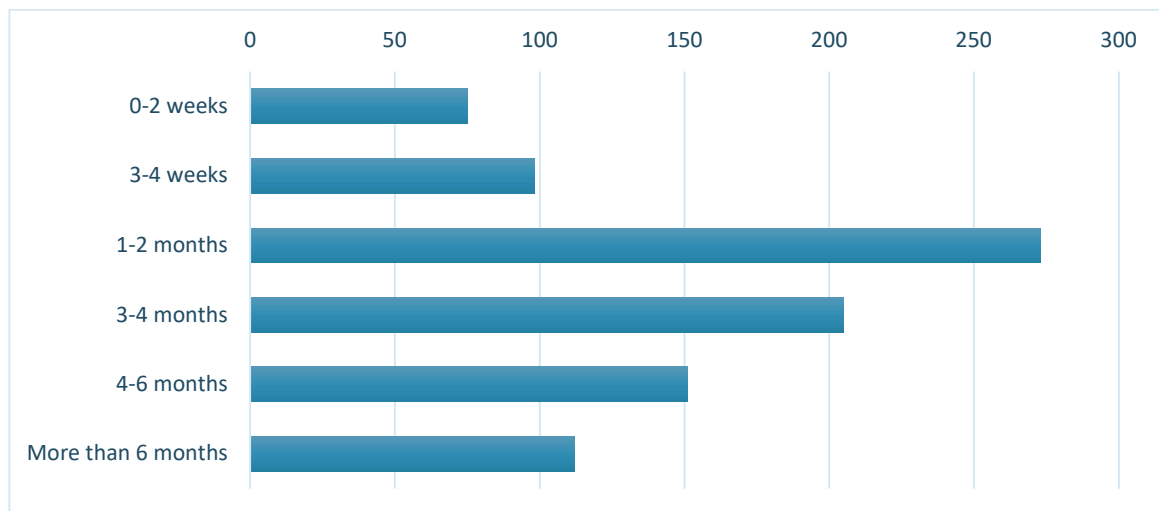


Figure 6: Time for which existing resources will cover operating costs (without assistance)

Consequently, a number of respondents stated in the qualitative comments that they were considering cease trading as a result:

“Financially and rates wise on the threshold so we get no assistance and are totally closed with no income, just accruing debt, whereas small businesses that are still open, get a grant and continue to make a profit. Everyone should get help. Our business cannot survive, we would be financially better off to bankrupt the company” (Industry: Food & Beverage).

Alternatively, some reported that they would at least be significantly less viable post-lockdown:

“My biggest concern is for the future of the tourism industry and how viable it is for the next 12 months and whether we can survive and weather the storm. More help is needed for the tourism sector especially for companies of our size that cannot get hold of finances in their hands. HELP!!!” (Industry: Arts, Entertainment & Recreation).

3.4 Off-site trading

Of those businesses that were still trading in some capacity (n=420), 66.2% - or 278 businesses - stated that they currently traded online or take orders over phone or email etc. Of these businesses, 53.2% (n=148) believed it was effective to a greater or lesser degree in mitigating the effect of the current situation, as shown in figure 7. However, 11.2% (n=31) did not perceive this strategy to be at all effective.

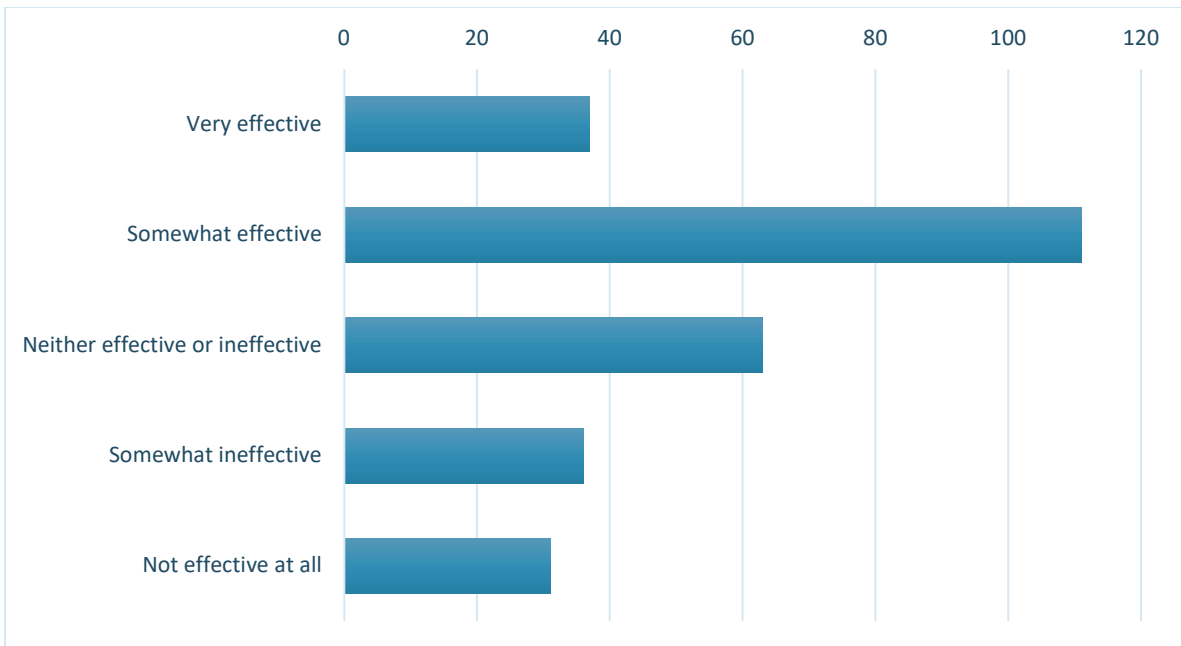


Figure 7: Effectiveness of off-site trading in mitigating effect of lockdown

At the time of the survey, only 13 businesses were considering whether to start to trade online/take orders over the phone or by email etc. Of these businesses, 10 thought that it would take at least 3-4 weeks to be able to set up the operation to enable this to occur.

3.5 Business rents

Of the businesses covered in the survey, 77.3% of respondents (n=785) stated that they were tenants of their business premises and consequently paid rent to the property owner. When asked what proportion of the last month's rent they were able to pay, 61.1% (n=480) stated that they paid their rent in full. However, somewhat worryingly, 23.4% of respondents (n=184) stated that they did not pay any of the due rent, as shown in figure 8.

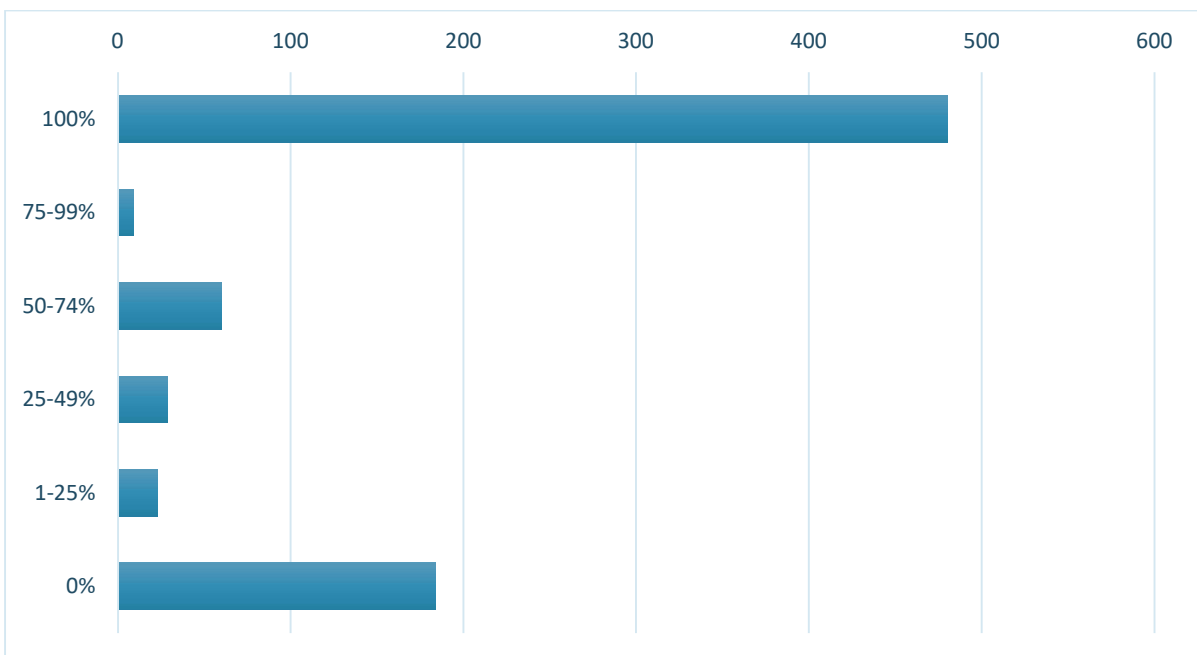


Figure 8: Proportion of last month's rent paid

Going forward, 52% of respondents (n=408) expected to pay next month's rent in full. However, this does leave 377 businesses where this was not expected to be the case. Of the businesses that rented their premises, 41.8% (n=328) had negotiated alternative rent arrangements with their landlord. The nature of these alternative arrangements is shown in Table 7.

Alternative rental arrangements negotiated	Frequency	Valid Percent
Rent deferral	126	38.4
A partial rent reduction each month	71	21.6
A full rent reduction for a period	58	17.7
Other (please state)	73	22.3
Total	328	100

Table 7: Alternative rental arrangements

However, in the qualitative comments several businesses reported problematic relationships with their landlords. They experienced that their landlords were refusing to communicate with them whilst others noted that they had been denied rent deferral: *"landlord has gone silent and not discussing rent negotiations"*. (Industry: Retail trade not in stores, stalls or markets). In four cases, landlords had already taken debt enforcement action against the business tenant, and - more worryingly - landlords were threatening to take action in another 59 cases.²

3.6. Owner-occupiers & commercial mortgages

Of the respondents to the survey, 231 were owner-occupiers of their business premises. Of these, 25.1% (n=58) had debt secured against their property and were worried about making debt repayments or breaking covenants, and consequently had contacted their lender regarding the situation. Fortunately, all of these businesses had been able to secure some form of flexibility, such as a 'holiday' on either the interest and/or capital, as shown in figure 9.

² This majority of responses to this survey were collected just *before* the UK Government made their announcement to safeguard UK high street businesses against aggressive rent debt recovery actions.

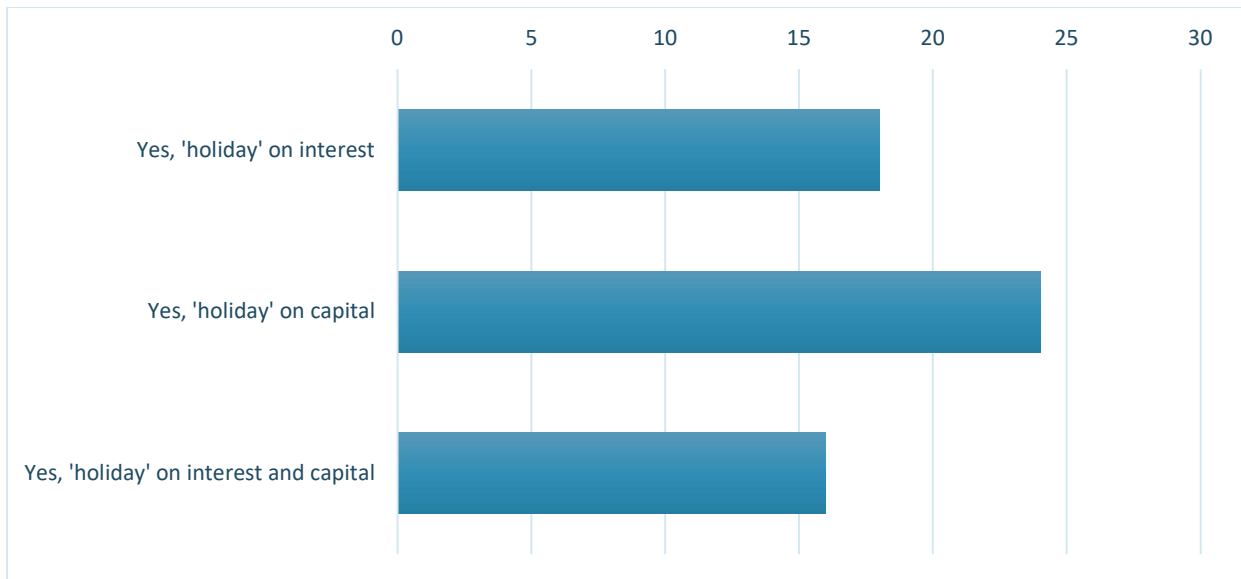


Figure 9: Type of loan 'holiday' agreed with lenders

3.7 Comparative regional analysis

A regional analysis was conducted to establish if there were significant differences between locations of businesses during this unprecedented situation. The regional breakdown of businesses participated in the survey is presented in table 8.

Region (England)	Frequency	Percentage
Greater London	60	5.90%
South East England	226	22.20%
South West England	172	16.90%
East of England	98	9.60%
East Midlands	113	11.10%
West Midlands	115	11.30%
North West	98	9.60%
North East	25	2.50%
Yorkshire and the Humber	109	10.70%
Total	1016	100.00%

Table 8: Regional breakdown of respondents' business location

Overall, Greater London and North East are under-represented in the sample. A binary variable was also constructed to assess if there are significant differences between businesses located in the South of England (including Greater London) (n=458, 45.1%) compared with businesses in the rest of England (n=558, 54.9%).

With regard to the current business situation, more than half (n=32, 53.30%) of businesses in Greater London in our sample were operating as normal or in some capacity. In contrast, only 29.2% of businesses in East Midlands and 29.6% of businesses in the North West were operating at the time of the survey. These differences appear not to be significant on a

broader level, according to the findings of the Kruskal-Wallis³ test that was performed to examine the relation between business location and the current business situation ($X^2(8, N=948) = 10.239, p = .249$). A Mann-Whitney⁴ test also revealed a non-significant difference in businesses located in the south of England (Mean Rank = 458.89, $n=433$) compared to the rest of the country (Mean Rank = 487.62, $n=515$), $U = 104738.5, z = -1.86, p = .063$.

When comparing the impact on takings in comparison with the same period last year for businesses across England, a similar pattern appears. Fifty five percent of sampled businesses in Greater London estimate to have lost 81%-100% of takings compared to last year. On the other hand, the vast majority of sampled businesses in West Midlands (72.2%), South West (72.1%), and the North West (71.4%) reported similar loss. A Kruskal-Wallis Test was used in order to reveal differences on impact on takings across regions. The test revealed a not statistically significant difference ($X^2(8, N=1016) = 8.619, p = .375$) on takings. In the qualitative comments, many businesses expressed concerns about the pandemic's impact on seasonal events such as markets due to their significance for their takings:

"[We are] situated in the centre of Birmingham, I am worried the annual Frankfurter Christmas market may not go ahead this year and this is vital to our Christmas trading period, which in turn is vital to our annual profitability" (Industry: Food & Beverage).

In terms of assessing the estimated time of businesses ceasing trading, as well as how long the existing financial resources would cover ongoing costs across regions, further Kruskal-Wallis tests were conducted. In both cases, differences in the estimated time of taking the decision to permanently cease trading across regions ($X^2(8, N=807) = 12.837, p = .118$), and differences in existing financial resources to cover costs were not significant ($X^2(8, N=914) = 15.012, p = .059$), which showcases the overwhelming national impact of COVID-19 in this respect. This reinforced the reliance on receiving grants for many businesses, however, one business owner from Yorkshire and the Humber area declared that:

"The delay in grant payments from [...] [the council] & absolute lack of meaningful updates is extremely worrying & stressful" (Industry: Retail sale of non-food).

Other respondents noted that they relied heavily on footfall and that due to their location, COVID-19 had exacerbated the decline in tourists:

"As a coastal destination business, I feel we were already struggling before the COVID-19 outbreak to sustain profitable business due to our location and the reliance on people travelling to the area. If going forward the landscape changes and people don't travel outside of their near area, we will struggle to maintain the business" (Industry: Food & Beverage).

³ The Kruskal-Wallis test is a non-parametric test that looks whether more than two categorical independent groups differ by comparing their scores on a continuous or ordinal dependent variable. In this test, scores are converted to ranks and the mean rank for each group is compared.

⁴ The Mann-Whitney test is a non-parametric test that looks for differences between two categorical independent groups on a continuous or ordinal dependent variable, and evaluates whether the ranks for the two groups differ significantly, in a similar manner as in the Kruskal-Wallis test.

Additionally, one respondent highlighted that due their location and location of their suppliers, receiving and shipping goods had become difficult:

“Our business relies heavily on footfall. Receiving goods and shipping goods is difficult from the current location” (Industry: Retail sale of non-food).

Finally, further analysis regarding the effectiveness of offsite strategies ($X^2(8, N=278) = 6.507, p = 0.591$), last month’s rental payments ($X^2(8, N=785) = 8.929, p = .348$), and whether businesses will make next month’s rental payments ($X^2(8, N=785) = 10.325, p = .240$) across England also did not show any significant differences.

3.8 Comparative sectoral analysis

A sectoral analysis was conducted to establish if there were significant differences between sectors in terms of business situation, turnover compared to last year, estimated time before ceasing operations, financial resources, effectiveness of offsite strategies, and rental payments. For the purposes of this analysis, we examined both the comprehensive and the broader list of sectors.

In terms of the current business situation, 86.6% of business in the other service activities (grooming, hairdressing, cleaning services) sector were closed and not in operation, followed by food & beverage (restaurants, pubs) (85.6%), accommodation/hospitality (78%), retail sale in stalls and markets (71.4%), retail sale of non-food (60.8%), and arts, entertainment and recreation (58%). By contrast, only 1.8% of professional, scientific, legal & technical businesses were closed at the time of the survey, followed by information and communication (8%), finance and insurance (10.5%), and business administration and support (13.4%).

Unsurprisingly, the impact on takings in the sectors mentioned above reflects their current business situation. More than 88% of accommodation and hospitality businesses reported an 81%-100% decrease in takings compared with last year, followed by food and beverage (86.2%), other service activities (82.5%), retail trade in stalls and markets (81.8%), retail sale of non-food (81.4%), and human health and social work (71.4%). On the other hand, only 16% of information and communication businesses reported similar losses, followed by 17.5% in the professional, scientific, legal & technical sector, 21.1% in finance and insurance, and 25.7% in real estate.

A broader sector comparative analysis, as shown in table 9, further highlights the divide between all retail, hospitality, food and drink, personal services, and leisure and entertainment businesses, compared to professional services. In fact, only 27.9% of businesses in professional services have seen an 81%-100% decrease in income, compared to 81.2% in the hospitality, food and beverage, and leisure and entertainment businesses, 76.4% in all retail, and 76% in personal and other services. A Kruskal-Wallis Test was used in order to reveal differences on impact on takings across the broader sectors. The test revealed a highly statistically significant difference ($X^2(5, N=1016) = 190.894, p < .001$),

which showcases the severe financial impact of COVID-19 in specific sectors compared to others.

Impact on takings in comparison with same period last year - Broad business sectors							
Impact on takings	Manufacturing and Construction % within Sector (count)	Retail (all) % within Sector (count)	Hospitality, F&B, Leisure & Entertainment % within Sector (count)	Professional Services % within Sector (count)	Education & Health % within Sector (count)	Personal and Other Services % within Sector (count)	Total % within Sector (count)
81% - 100% decrease	54.5% (12)	76.4% (240)	81.2% (255)	27.9% (57)	70.3% (26)	76% (95)	67.4% (685)
51% - 80% decrease	4.5% (1)	11.8% (37)	8.3% (26)	20.1% (41)	2.7% (1)	5.6% (7)	11.1% (113)
26% - 50% decrease	13.6% (3)	4.1% (13)	6.1% (19)	23.5% (48)	13.5% (5)	7.2% (9)	9.5% (97)
1% - 25% decrease	9.1% (2)	2.9% (9)	1.3% (4)	19.1% (39)	8.1% (3)	6.4% (8)	6.4% (65)
Same as last year	13.6% (3)	1.3% (4)	0.3% (1)	5.4% (11)	5.4% (2)	0.8% (1)	2.2% (22)
1% - 25% increase	0.00%	0.6% (2)	0.3% (1)	3.4% (7)	0.00%	1.6% (2)	1.2% (12)
26% - 50% increase	0.00%	0.3% (1)	0.00%	0.00%	0.00%	0.00%	0.1% (1)
51% - 80% increase	0.00%	1.3% (4)	0.00%	0.5% (1)	0.00%	0.00%	0.5% (5)
81% - 100% increase	4.5% (1)	1% (3)	1.3% (4)	0.00%	0.00%	0.00%	0.5% (5)
more than 100% increase	0.00%	0.3% (1)	1.3% (4)	0.00%	0.00%	2.4% (3)	0.5% (5)
Total	100% (22)	100% (314)	100% (314)	100% (204)	100% (37)	100% (125)	100% (1016)

Table 9: Impact on takings compared to last year within broad business sectors

This impact is also reflected in the estimated time of businesses ceasing trading, as well as how long their existing financial resources would cover ongoing costs across sectors. A Kruskal-Wallis test to assess differences in the estimated time of taking the decision to permanently cease trading across broader sectors showed that there is a statistically significant difference ($X^2(5, N=807) = 20.652, p = .001$), with manufacturing/construction, food and beverage, retail and personal services businesses being the most likely to cease trading sooner if the situation remains the same. A similar test was conducted to analyse differences in the financial resources of businesses across broader sectors. The results were highly significant ($X^2(5, N=914) = 56.563, p < .001$), with businesses in the food and beverage, retail and personal services sectors being in the most vulnerable situation in terms of trying to keep the businesses afloat. In the qualitative comments, one respondent elaborated on this by explaining that due to their type of business, they were unable to operate fully due to the social distancing restrictions, and that this had taken such an immense toll on their takings, to the extent they decided to close instead:

“As a coffee shop, partial re-opening for take away business would be a very poor substitute for full operation. We tried this for a few days before closing and sales were 30% of normal. Potentially allowing separated seating would allow sales up to 70% which would at least allow us to cover costs” (Industry: Food & Beverage).

Other respondents explained that despite attempting to move their business online, they were not able to perform all aspects of their operations due to the nature of their trade, which resulted in declining takings:

“The charity sector is hit severely due to all events to raise funds having to be cancelled which also stops all funding of research in the specific sector. We are creating online events but not anywhere near the income that is needed” (Industry: Charity).

Due to lockdown and restrictions, some businesses were not classed as essential and comments demonstrated that these were left struggling:

“We don’t fall into the sectors that the government deem to be severely affected but catteries and kennels are closed due to the travel restrictions” (Industry: Animal boarding).

Problems were also identified in relation to those businesses requiring personal protective equipment (PPE) to operate:

“As a barber shop, once we are allowed to trade again would we have access to PPE. We have gloves, masks & hand-wash so far” (Industry: Other Service Activities).

Finally, further analysis regarding the effectiveness of offsite strategies ($X^2(5, N=278) = 11.224, p = .047$), last month’s rental payments ($X^2(5, N=785) = 40.881, p < .001$), and whether businesses will make next month’s rental payments ($X^2(5, N=785) = 34.867, p < .001$) across sectors also showed significant differences. Somewhat unsurprisingly, personal service providers found offsite strategies less effective than other sectors.

In terms of rental payments, retailers, restaurants and pubs, and personal service providers seemed to have struggled the most paying last month’s rent, and the majority of those businesses also stated that they will not be able to pay full rent next month. As stated by one respondent in the qualitative comments: “I own a pub in the city centre of Bath. The rent will kill us in 3 months” (Industry: Food & Beverage). Overall, it is clear from this analysis that all retailers and the majority of personal services and food and beverage providers are the most significantly affected by the COVID-19 crisis.

3.9 Comparative analysis based on size of business

Table 10 presents the estimated impact on takings in comparison with last year for sole traders, small, medium, and large businesses. More than 73% of sole traders estimate an 81%-100% decrease in income, followed by 69.3% of businesses with 1-9 FTEs. A Kruskal-

Wallis test was used to assess if differences in takings are significant across business sizes. The test (X^2 (4, N=1016) = 17.130, $p = .002$) showed that there is a statistically significant difference. Similarly, Kruskal-Wallis tests to assess differences in the estimated time of taking the decision to permanently cease trading (X^2 (4, N=807) = 18.839, $p = .001$) and in the financial resources (X^2 (4, N=914) = 23.319, $p < .001$) across business sizes showed highly statistically significant differences. In all cases, small businesses with 1-9 employees seem to be the most vulnerable in terms of lost turnover and survival prospects.

Interestingly, no significant differences were found in relation to the effectiveness of offsite strategies (X^2 (5, N= 278) = 7.909, $p = .095$), last month's rental payments (X^2 (5, N=785) = 2.541, $p = .637$), and whether businesses will make next month's rental payments (X^2 (5, N=785) = 2.603, $p = .626$), probably due to the fact the most businesses use similar trading strategies and rent their premises regardless of their size.

Impact on takings based on number of staff employed in full-time equivalent (FTE) units						
	0 (Sole trader) % within business size (count)	1-9 FTEs % within business size (count)	10-49 FTEs % within business size (count)	50-249 FTEs % within business size (count)	250+ FTEs % within business size (count)	Total
81% - 100% decrease	73.4% (105)	69.3% (414)	61.4% (124)	59.3% (32)	50% (10)	67.4% (685)
51% - 80% decrease	11.9% (17)	12.1% (72)	10.9% (22)	3.7% (2)	0.00%	11.1% (113)
26% - 50% decrease	9.1% (13)	7.9% (47)	14.4% (29)	9.3% (5)	15% (3)	9.5% (97)
1% - 25% decrease	2.1% (3)	5.5% (33)	8.4% (17)	14.8% (8)	20% (4)	6.4% (65)
Same as last year	2.1% (3)	1.5% (9)	2% (4)	7.4% (4)	10% (2)	2.2% (22)
1% - 25% increase	0.7% (1)	1% (6)	2% (4)	1.9% (1)	0.00%	1.2% (12)
26% - 50% increase	0.00%	0.00%	0.5% (1)	0.00%	0.00%	0.1% (1)
51% - 80% increase	0.00%	0.7% (4)	0.00%	1.9% (1)	0.00%	0.5% (5)
81% - 100% increase	0.7% (1)	1.2% (7)	0.00%	0.00%	0.00%	0.8% (8)
more than 100% increase	0.00%	0.8% (5)	0.5% (1)	1.9% (1)	5% (1)	0.8% (8)
Total	100% (143)	100% (597)	100% (202)	100% (54)	100% (20)	100% (1,016)

Table 10: Impact on takings compared to last year within broad business sectors

3.10 Comparative analysis based on annual turnover

Finally, an analysis based on businesses' annual turnover was conducted, to establish if there were significant differences in terms of business situation, impact on takings compared to last year, estimated time before ceasing operations, financial resources, effectiveness of offsite strategies, and rental payments. With regard to the current business

situation, 69.9% of businesses with annual turnover under £100k were closed and not operating, followed by 65.5% of businesses between £100k-250k and 59.4% of businesses between £250k-500k. In terms of the impact on takings, similar results can be observed, with 76.9% of businesses between £100k-250k losing 81%-100% of their turnover, followed by 73.3% of businesses under £100k, and 67.3% in the £250k-500k category.

Kruskal-Wallis tests were used to assess if differences in business situation, impact on takings, and financial resources are significant based on businesses' annual turnover. The results showed a statistically significant difference in all three (business situation: $X^2(9, n=916) = 18.922, p = .026$, impact on takings: $X^2(9, n=984) = 33.732, p < .001$, financial resources: $X^2(9, n=792) = 32.416, p < .001$). No significant differences were found in relation to estimated time for ceasing trade permanently ($X^2(9, n=792) = 15.753, p = .072$), effectiveness of offsite trading strategies ($X^2(9, n=267) = 8.784, p = .457$), and percentage of rent paid last month ($X^2(9, n=760) = 12.708, p = .176$). However, a significant difference was found with regard to the prospects of businesses making next month's rent ($X^2(9, n=760) = 21.707, p < .010$), as a vast number of businesses with annual turnover under £2m stated that they would not pay the full amount of their rent.

3.11 Other themes from the qualitative data

Business impact of social distancing

The results above have to some extent already demonstrated the business impact of social distancing. However, further comments depict more detailed related issues that folded into three categories: the impact on businesses currently open; those closed due to lockdown; and those planning to open post-lockdown.

Firstly, businesses that were still currently trading stated that problems had arisen due to being dependent on other businesses such as suppliers or the nature of the premises they traded from being closed down. For example, one respondent from the Retail Sale of Food industry stated that their business "rely on gym and fitness centres to be open" whilst another respondent from the Business Administration and Support Services explained that:

"[Our] customer base consists of schools who are finding it difficult to make payments. Delays are causing issues with current cashflow".

Secondly, several businesses that were forced to close due to lockdown explained that they were unable to trade online due to the nature of their business:

"Complete shutdown means complete loss of income. We are a luxury goods retailer supplier than cannot operate online" (Industry: Motor Trades).

Additionally, businesses that closed due to the restrictions also saw losses due to large amount of stock going out of date:

"Just we closed under instructions of the government yet had bar stock and food stuff that went out of date, this all needs to be considered in the losses" (Industry: Arts, Entertainment & Recreation).

Thirdly, those planning to open post-lockdown outlined an array of concerns in relation to cost and the practicalities of managing social distancing. In terms of managing social distancing, businesses worried about the size of their premises and if people were willing to return to their shops once lockdown was lifted:

“We are concerned that when we reopen, clients will be able to move freely enough so they can visit us? Also due to social distancing, will we be able to accommodate all clients that want to come in?” (Industry: Other Service Activities).

Additionally, some businesses stated that they relied on elderly volunteers who – under the circumstances – are classed as vulnerable, and who may not be able to volunteer despite lockdown being lifted:

“We are a business that relies heavily on volunteers and many are over 65 as well. When we finally open our doors again, this may impact our business as many may not return” (Industry: Food & Beverage).

Information on recovery plans

Following on from the issues related to re-opening, businesses highlighted several concerns around the provision of information on recovery plans. Two main issues were identified. Firstly, businesses urged the government to communicate timeframes for when lockdown will end in order to be able to plan for the future. Secondly, respondents called for more information regarding an exit strategy that would help them recover post-lockdown. Many businesses agreed that, *“uncertainty regarding ‘end date’ is perhaps the most worrying aspect”* (Industry: Professional, Scientific, Legal & Technical) and that they *“have no idea of how to re-open when we do - meaning it will be impossible to plan ahead”* (Industry: Retail sale of non-food). As a result, some respondents proceeded to argue that the government should *“end lockdown as soon as possible and construct and implement an intelligent exit strategy”* (Industry: Retail sale of non-food).

Comments also stressed the long-lasting effects lockdown would have on several business aspects:

“The commercial property sector needs to reopen quickly or there will be lasting negative effects on many businesses that might need to downsize, relocate, close altogether, upscale or open for the first time. This in turn will affect employment and the rate of recovery after general restrictions are lifted” (Industry: Real Estate (Property)).

These uncertainties in turn linked to owners’ personal stress, with several expressing worries about losing their business:

“We just do not know what is happen 20 years we have had guest house and worried we will lose everything” (Industry: Accommodation/Hospitality).

Together, businesses argued that more information could reduce the risk of not being able to open post-lockdown and that assistance in form of continuous financial support could be a determining factor for returning to business. Additionally, respondents clearly signalled that information on social distancing post-lockdown would need to be made explicit so they can efficiently manage the situation and ensure customers and clients adhere to the regulations.

4.0 Conclusions - Assessing Business Resilience

Whilst the COVID-19 crisis has an overwhelming impact nationally, it is clear from our survey that not all sectors and businesses have the capacity to absorb the crippling effects of this systemic shock, and therefore face an extremely difficult path towards business survival, and subsequently business recovery. For the purpose of this report, we calculated a business resilience composite score (figure 10) that shows the likelihood of a business to navigate the COVID-19 crisis based on:

- its current assets and fiscal resources when taking into account the impact on turnover compared to last year;
- the current business status;
- the level of assistance received from the government or other sources;
- whether the business premises are rented or not;
- the estimated period that the business will be forced to cease trading if the situation remains unchanged.

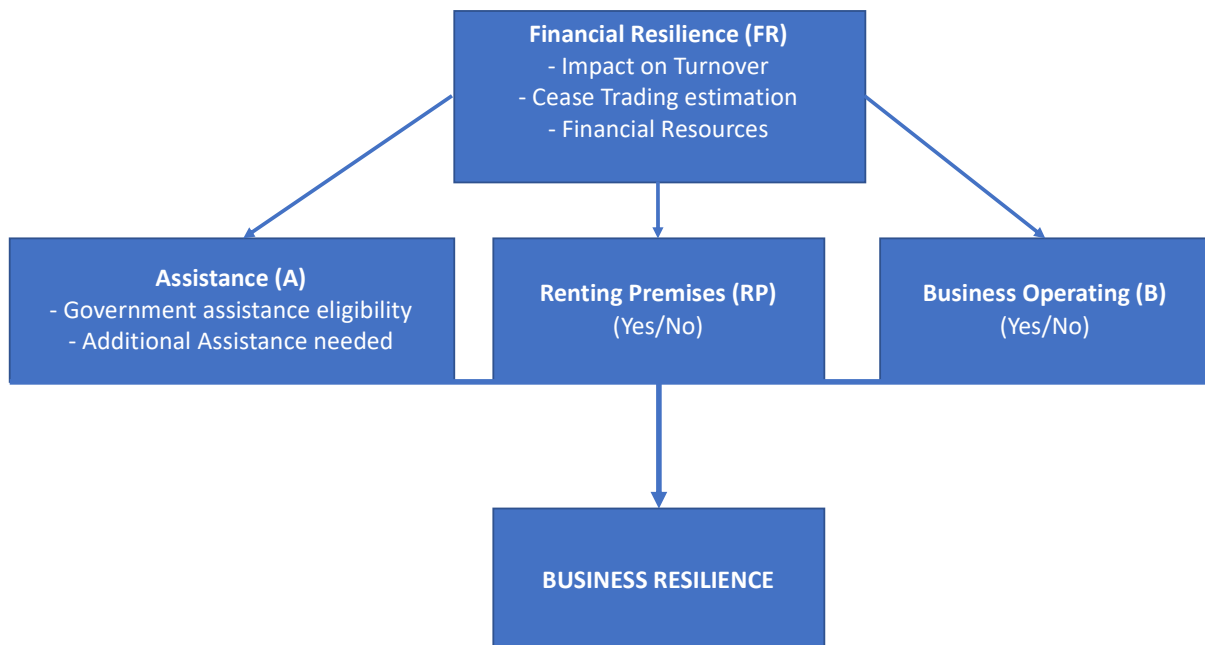


Figure 10: Flow diagram demonstrating how the Business Resilience composite score was calculated

As it is evident from the diagram, the main goal of the business resilience composite score is to examine the vulnerability of businesses to the direct effects of the measures imposed due to the COVID-19 crisis, taking into account their existing operating capacity and financial situation, as well as the level of assistance needed. The business resilience composite score was calculated for 787 out of 1,016 businesses, and was generated from assigning numeric values to the categorical variables above, taking the sum of the logarithms of each variable, and scaling⁵ them into a range from 1 (least resilient) to 100 (most resilient). In all cases, the lowest value was assigned to the category that has a more negative effect on business resilience (e.g. 1 for businesses with a negative impact on turnover between 81%-100%, 2 for businesses with a negative impact on turnover between 51%-80%, etc.).

Based on these calculations, table 10 and figure 11 (on the following pages) present the average composite scores for each business sector that was included in our survey based on broader SIC codes. From interpreting the scores, we classified businesses with a score less than 45 (food and beverage, personal and other services, human health and social work, and the retail sector) as highly vulnerable. Businesses within the 45-55 range were classified as at risk (education, arts, recreation and entertainment, accommodation and hospitality, manufacturing), and businesses with a score more than 55 (information and communication, finance and insurance, professional, scientific, legal and technical, business administration and support services, construction) were classified as resilient. It is worth noting that the highest score (66.2 in the finance and insurance sector) was still well below 100, a testament to the uncertainty that the COVID-19 crisis has created in the economy.

These scores further confirm the findings from our comparative and qualitative analysis, as the majority of these businesses are forced to remain closed for the foreseeable future, and therefore are unable to generate any turnover. In some cases, businesses in these sectors were also ineligible for government funding at the time of the survey. Whereas most businesses are now eligible to apply for government assistance, such as the Coronavirus Business Interruption Loan Scheme (CBILS), businesses with a rateable value between £51,000 to £150,000 are still not eligible for the £25,000 government grant under the retail, hospitality and leisure grant scheme, which may exacerbate their financial situation. The majority of these businesses are also small businesses with 1-9 employees, which seem to be affected the most from this crisis, even more than sole traders. On the other hand, the most resilient businesses are the ones that are able to operate rather efficiently from other premises – e.g. from home (professional, scientific, legal & technical, real estate, finance and insurance) or are mostly operating as usual (e.g. construction sites). Businesses with substantial financial reserves and assets (such as hotels and other hospitality establishments, manufacturing factories, universities, colleges, sports facilities, museums) are also at risk due to the ongoing lockdown, but seem to not be threatened in the immediate term. Nevertheless, it is worth monitoring their situation as the majority of these businesses will still not be operating in the following two to three months.

Overall, the business resilience composite scores suggest that the government and the local authorities must prioritise support for small businesses in the retail, entertainment and

⁵ The formula used for scaling the business resilience composite score is: $f(x) = \frac{(b-a)(x-min)}{max-min} + a$
where a = 1, b = 100, min is the minimum and max is the maximum value for sum of variables for a business

personal services sectors. The extension of the furlough scheme is a step in the positive direction, but further support will be needed once these businesses are allowed to reopen, as they will most likely operate in a limited capacity that will not allow them to bounce back for the foreseeable future.

Sector	Business Resilience Composite Score
Manufacturing	50.3
Construction	57.2
Motor Trades (including wholesale, retail trade and repair)	48.1
Retail sale of food (including groceries, specialty food)	44.3
Retail sale of non-food (communication & household equipment, cultural & recreation, clothing & footwear, except Chemists)	43.9
Retail sale via stalls and markets	51.0
Retail trade not in stores, stalls or markets	43.3
Transport & Storage (including Postal)	43.7
Accommodation/Hospitality (Hotels, Hostels, Other Accommodation)	51.1
Food & Beverage (restaurants, pubs)	41.8
Information & Communication	61.5
Finance & Insurance	66.2
Real Estate (Property)	61.9
Professional, Scientific, Legal & Technical	60.8
Business Administration and Support Services	58.2
Education	49.7
Human Health and Social Work	42.2
Arts, Entertainment & Recreation (Performing arts, libraries, museums, sports facilities, etc)	51.4
Other Service Activities (repair of computers & household goods, personal service activities such as dry-cleaning, hairdressing, physical well-being, etc.)	40.5
Other (please state)	51.8

Table 10: Business resilience composite scores per sector, highly vulnerable sectors in bold

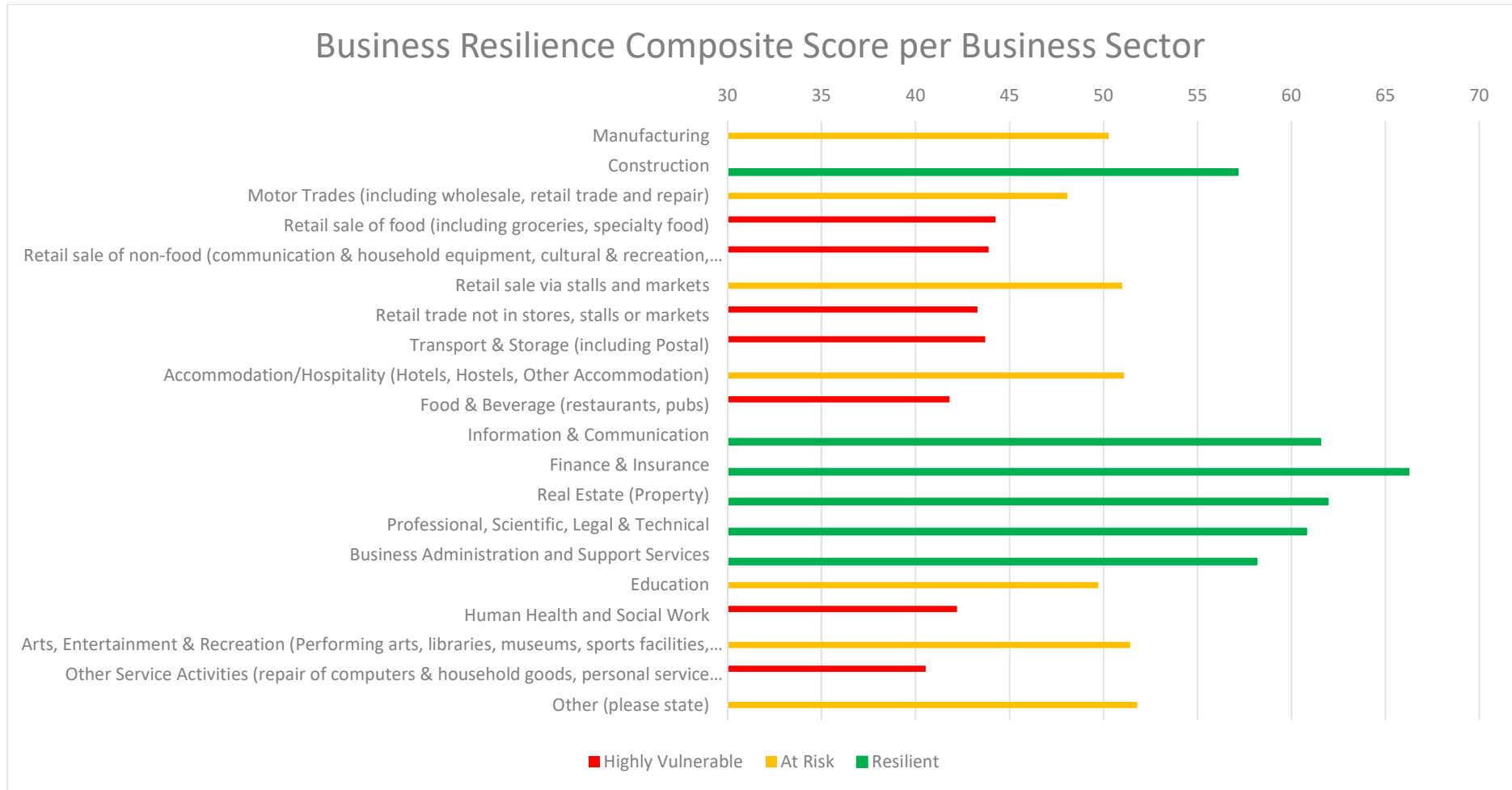


Figure 11: Bar chart showcasing the business resilience composite score per business sector using the RAG reporting system

